

## Message Text

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ACTION ARA-14

INFO OCT-01 IO-14 ISO-00 CIAE-00 COME-00 EB-08 INR-10  
LAB-04 NSAE-00 PA-02 SIL-01 ICA-20 /074 W  
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R 181823Z AUG 78  
FM AMCONSUL RIO DE JANEIRO  
TO SECSTATE WASHDC 6597  
INFO AMEMBASSY BRASILIA  
AMCONSUL SAO PAULO  
US MISSION GENEVA 0355

UNCLAS RIO DE JANEIRO 3695

E.O. 11652: N/A  
TAGS: BCIN, EINV, ETRD, BR  
SUBJECT: U.S.-BRAZILIAN BUSINESS COUNCIL DISCUSS INVESTMENT  
AND TRADE

1. SUMMARY: THE THIRD ANNUAL MEETING OF THE U.S.-  
BRAZILIAN BUSINESS COUNCIL WAS HELD IN RIO DE JANEIRO AND  
BRASILIA AUGUST 14-16. BRAZILIAN PRESS GAVE EXTENSIVE  
COVERAGE TO THE MEETING WITH SPECIAL EMPHASIS ON OPENING-  
DAY EXPRESSION BY THE U.S. CHAIRMAN OF ALARM OVER RECENT  
GOB "TENDENCIES TO DISCRIMINATE IN FAVOR OF BRAZILIAN  
CAPITAL." HE SUBSEQUENTLY CLARIFIED THAT HIS EARLIER  
REMARKS WERE AN "EXAGGERATION" AND THAT "THERE IS NO  
HOSTILITY TOWARD FOREIGN INVESTMENT, BUT THE CLIMATE COULD  
BE BETTER." BRAZILIAN PARTICIPANTS EXPRESSED CONCERN OVER  
U.S. TRADE AND MONETARY POLICIES. THE JOINT COMMUNIQUE  
CALLED FOR LESS GOVERNMENT INTERVENTION IN  
PRIVATE SECTOR NEGOTIATIONS AND FOR  
RECIPROCAL CONCESSIONS ON SUBSIDY-COUNTERVAILING DUTY  
PROBLEMS. END SUMMARY.

2. THE THIRD ANNUAL U.S.-BRAZILIAN BUSINESS COUNCIL  
WAS HELD EARLIER THIS WEEK IN RIO DE JANEIRO AND  
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BRASILIA. BRAZILIAN PARTICIPATION READ LIKE A "WHO'S  
WHO IN BRAZILIAN BUSINESS;" U.S. PARTICIPANTS WERE  
HIGH LEVEL REPRESENTATIVES OF MAJOR MULTINATIONALS.  
WHILE LEADING BRAZILIAN OFFICIALS ADDRESSED THE MEET-  
INT, ATTENDANCE OF GOVERNMENT OFFICIALS IN THE DISCUS-  
SION SESSIONS WAS DISCOURAGED. THIS REPORT IS THUS  
BASED PRIMARILY ON PRESS COVERAGE; ANALYSIS WILL BE

PROVIDED SUBSEQUENTLY.

3. THE U.S. CHAIRMAN, CHARLES PILLIOD, WHO IS CHAIRMAN OF THE BOARD OF GOODYEAR, EVOKED HEADLINES WITH HIS OPENING-DAY COMMENT THAT "PREFERENTIAL TREATMENT FOR BRAZILIAN COMPANIES TO THE DETRIMENT OF OTHERS IN CONTRARY TO ESTABLISHED INTERNATIONAL PRINCIPLES AND IS CAUSE FOR ALARM AND REEXAMINATION OF THE PERSPECTIVES FOR FURTHER FOREIGN INVESTMENT." FOLLOWING THE NEXT DAY'S MEETING IN BRASILIA, HE RETRACTED AND STATED THAT HE HAD ONLY RAISED THE ISSUE AS A CAUTION FLAG IN HOPES OF PREVENTING THIS TENDENCY FROM BECOMING A PROBLEM. THE BURROUGHS COMPANY REPRESENTATIVE ALSO SHARPLY CRITICIZED GOB DISCRIMINATION IN FAVOR OF LOCAL COMPUTER COMPANIES.

4. THE U.S. GROUP LISTED FIVE COMPLAINTS REGARDING BRAZILIAN RESTRICTIONS: DIFFICULTIES IN REMITTING TECHNOLOGY TRANSFER PAYMENTS; RESTRICTION ON TAX DEDUCTIBILITY OF SOME PAYMENTS TO PARENT FIRMS; EXCESSIVE INVOLVEMENT BY GOB AGENCIES IN PRIVATE CONTRACT NEGOTIATIONS; INSUFFICIENT PROTECTION FOR OWNED TECHNOLOGY AND KNOW-HOW; AND DIFFICULTIES IN OBTAINING VITAL MATERIALS FOR RESEARCH AND DEVELOPMENT ACTIVITIES.

5. THE GROUP MET WITH PRESIDENT GEISEL, FINANCE MINISTER SIMONSEN, INDUSTRY AND COMMERCE MINISTER CALMON DE SA

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AND PLANNING MINISTER VELLOSO. THESE SESSIONS APPARENTLY INVOLVED INTENSE, BUT NON-ACRIMONIOUS, DEBATE. GEISEL EMPHASIZED THE POSITIVE ROLE WHICH CAN BE PLAYED BY FOREIGN INVESTMENT AND BRAZIL'S OPENNESS TO SUCH INVESTMENT. HE NOTED THAT DIVERGENCES WERE NATURAL, BUT THAT THESE COULD BE OVERCOMEJM SIMONSEN DEFENDED INCENTIVES TO BRAZILIAN INDUSTRY, AGREED ON THE NEED TO REDUCE PRICE CONTROLS, BUT NOTED THAT ELIMINATION OF THE PRIOR IMPORT DEPOSIT WOULD NOT BE POSSIBLE IN THE NEAR FUTURE. HE ALSO CLASSIFIED THE U.S. TRADE ACT AS AN "ISOLATIONIST MEASURE AGAINST MANUFACTURED EXPORTS." CALMON DE SA STRONGLY DEFENDED GOB POLICY REGULATING PAYMENTS FOR TECHNOLOGY TRANSFER AND EMPHASIZED THAT IT IS DESIGNED TO AVOID ABUSE PARTICULARLY IN SUBSIDIARY PAYMENTS TO PARENT COMPANIES. AT THE SAME TIME, HE STRESSED BRAZILIAN NEED FOR MODERN (BUT NOT OBSOLETE) TECHNOLOGY AND FLEXIBILITY WITH RESPECT TO EXCEPTIONAL CASES.

6. BRAZILIAN REPRESENTATIVES, INCLUDING MINISTER VELLOSO, DEVOTED PRIMARY ATTENTION TO TRADE RELATIONS AND VOICED PARTICULAR CONCERN OVER COUNTERVAILING DUTY

PROCEDURES INCLUDING THE PENDING TEXTILE CASE. THEY EXPRESSED SKEPTICISM THAT AN AGREEMENT WOULD BE REACHED IN GENEVA BEFORE EXPIRATION OF TRADE ACT WAIVER AUTHORITY. THEY ALSO CRITICIZED U.S. FISCAL AND MONETARY POLICY RELATED TO THE DECLINE OF THE DOLLAR.

7.FINAL COMMUNIQUE OF MEETING INCLUDED FOLLOWING POINTS ENDORSED BY BOTH GROUPS: CONCERN OVER INCREASING GOB INTERVENTION IN PRIVATE SECTOR ACTIVITIES; THE NEED FOR NEW INCENTIVES FOR TECHNOLOGY DEVELOPMENT; THE NEED FOR RECIPROCAL CONCESSIONS TO ACHIEVE AN AGREEMENT ON SUBSIDIES-CVD'S (APPARENTLY WITH THE UNDERSTANDING THAT A REVISION OF THE PRESENT BRAZILIAN INCENTIVE PROGRAM WOULD ASSIST U.S. BUSINESSMAN IN PRESSING FOR AN UNCLASSIFIED

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EXTENSION OF THE WAIVER AUTHORITY); AND A GENERAL ENDORSEMENT OF BRAZILIAN MONETARY POLICY WHILE CALLING FOR MAINTENANCE OF A FAVORABLE CLIMATE TO INDUCE EVEN GREATER DIRECT FOREIGN INVESTMENT. FULL TEXT OF COMMUNIQUE WILL BE FORWARDED AS SOON AS IT IS AVAILABLE.  
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## Message Attributes

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Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014